



CORPORATE VALUATIONS • FINANCIAL CONSULTING

**In the matter of
Charles A. Stanziale, Jr., Chapter 7, Trustee
of Student Finance Corporation v. Pepper Hamilton LLP, et al.**

**Valuation and Appraisal Analysis
of J. Mark Penny, ASA**

July 13, 2007

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Statement of Qualifications and Disclaimer

J. Mark Penny, ASA, prepared this appraisal analysis on the fair market value of a 100% equity interest in Premier Education Group, L.P. and certain other interests. Mr. Penny holds the designation of Accredited Senior Appraiser (ASA) in the American Society of Appraisers in the discipline of Business Valuation. The American Society of Appraisers has a mandatory reaccreditation program for all of its Accredited Senior Appraisers. He is in compliance with that program. He certifies that, to the best of his knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are his personal, impartial and unbiased professional analyses, opinions, and conclusions.
- He has no present or prospective interest in the property that is the subject of this report, and has no personal interest or bias with respect to the parties involved.
- He has no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
- His engagement in this assignment was not contingent upon developing or reporting predetermined results.
- His compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- His analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.
- David N. Routzahn Jr., ASA, Daniel Lisman, CFA, Michael Cunningham and Gregory Lesoine, ASA, provided professional assistance in the preparation of this report.



J. Mark Penny, ASA
Managing Director

July 13, 2007



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INTRODUCTION AND SUMMARY OF FINDINGS



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Hempstead & Co. Inc. has been retained by Eckert Seamans Cherin & Mellott, LLC ("Eckert Seamans") on behalf of their client, Robert L. Bast, Pamela B. Gagne, Roderick Gagne, as Trustee, and certain Family Trusts. We have been engaged in order to provide financial and appraisal analysis in connection with litigation brought by Charles A. Stanziale, Jr., a Chapter 7 Trustee of Student Finance Corporation. The findings of this report are subject to certain limiting conditions presented in Exhibit I. A schedule of documents reviewed in the preparation of this report is presented in Exhibit II.

Specifically, our analysis addresses the following items:

- 1) An appraisal of the fair market value of a 100% equity interest in Premier Education Group, L.P. (the "Company" or "PEG") as of June 14, 2002 (the "Valuation Date")
- 2) A commentary on the report of Martin J. Lieberman, CPA/ABV, ASA, (the "Lieberman Report") dated May 7, 2007.
- 3) An analysis of discounts applicable in the valuation of General Partnership Interests in Day Hill Partners, L.P. ("Day Hill Partners") and One Summit Place Partners, L.P. ("One Summit Place Partners") as of June 14, 2002.
- 4) An analysis of discounts applicable in the valuation of the interest in PEG held by Premier Education Group GP, Inc.

Summary of Findings

Based on the relevant facts and our interpretation of them, our opinions are set forth below:

- 1) The Fair Market Value of a 100% equity interest in Premier Education Group, as of June 14, 2002, is reasonably stated at \$13.3 million.
- 2) Based upon the use of actual reported financial statement data for 2006, the conclusions expressed in the Lieberman Report would be modified to an indicated equity value for a 100% interest in PEG to \$11 million as of March 31, 2002 and \$25 million as of December 31, 2006. In addition, it is our judgment that the application of the income approach, as utilized in this Lieberman Report for its 2002 valuation is founded on an unreasonable assumption that actual reported financial results for the 2002-2005 period represent a reasonable picture of consensus investor expectations in the first half of 2002.
- 3) After application of a 25% discount to reflect the impact of lack of control and lack of marketability attributes, the fair market value of the General Partnership interest in Day Hill Partners, L.P. is reasonably stated, as of June 14, 2002 at \$298,000. The fair market value of



the General Partnership interest in One Summit Place Partners, L.P. is reasonably stated, as of June 14, 2002, at \$211,000.

- 4) Based upon the limitations on management rights and restrictions on transferability, restrictions applicable to General Partnership Interest in Premier Education Group, L.P., an aggregate discount of 25% is appropriate to apply to a corresponding unrestricted controlling interest in PEG. After application of a 25% discount to reflect the impact of lack of control and lack of marketability attributes, the fair market value of the General Partnership interest in Premier Education Group, L.P. is reasonably stated, as of June 14, 2002, at \$1.76 million.

It is my belief that the opinions and conclusions expressed herein are accurate to a reasonable degree of professional certainty.

Definition of Fair Market Value

As employed in this report, the term "fair market value" is defined as the price at which the subject property would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts. Such a value is determined as of a specific date and is based on all pertinent factors and conditions which were either known on that date or might have been reasonably anticipated.

For common stock and other equity interests, a distinction may be made between the fair market value of a minority interest and that of a controlling or majority interest. When looking at the stocks of publicly-held companies traded over-the-counter or on an exchange, the price quoted is typically that of a minority interest. In the case of a majority interest, the shareholder has control of the corporation and can appoint directors, decide on the future direction of the company, declare dividends, take his/her return in the form of a salary, etc. A minority shareholder, on the other hand, cannot do so. For this reason, a premium may be paid for a controlling interest. In this report, our valuation of a 100% equity interest in PEG relates to a controlling interest basis. Discussions regarding discounts applicable to Day Hill Partners, L.P., One Summit Place Partners and Premier Education Group, GP, reflects consideration of attributes associated with lack of control and lack of marketability.

In performing the valuation analysis presented herein, we have taken into consideration IRS Revenue Ruling 59-60, which establishes guidelines for appraising stock of a closely-held corporation. This revenue ruling states that no general formula is applicable to the many different valuation situations and various factors must be considered.

